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# MARULENG MUNICIPALITY

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ANNUAL FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015



MARULENG MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2015

## GENERAL INFORMATION

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### GENERAL INFORMATION

#### Members of the Council

PA Mafologele                      **Mayor**

MC Magoro                         **Speaker**

MJ Nyathi                         **Members of the Executive Committee**

PH Ratshoshi

ML Mongadi (Chief Whip)       **Members**

EC Du Preez

MP Mashumu

B Rakganya

MS Malapane

MC Mahlako

MR Malepe

SA Nyathi

LV Shaai

TA Mathaba

MD Popela

JT Morema

MM Rakgoale

ME Mathaba

RB Sekgobela

PE Shai

MR Mametja

IH Malatjie

MJ Maahlo

MJ Rakgoale

TD Mogale

#### Acting Municipal Manager

ML Mokonyane

#### Chief Financial Officer

E Makamu

**Grading of Local Authority**       3

**MARULENG MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2015**

**Auditors**

Auditor-General

**Bankers**

Standard Bank

**Registered Office:** Municipal Offices

Physical address: 65 Springbok St./-str. 65  
Hoedspruit  
1380

Postal address: P.O. Box/Posbus 627  
Hoedspruit  
1380

Telephone number: (015) 793 2409

Fax number: (015) 793 2341

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**MARULENG MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2015**

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The reports and statements set out below comprise the annual financial statements presented to the Audit Committee of Maruleng Municipality:

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# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

### ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP). The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges ultimate responsibility for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Based on the information and explanations given by management, the accounting officer is of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the service charges and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that Maruleng Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

## MARULENG MUNICIPALITY

### Annual Financial Statements for the year ended 30 June 2015

The Accounting Officer further certifies that the remuneration of councillors as disclosed in the relevant note to the financial statements is in accordance with the Public Office Bearers Act (Act 20 of 1998) and the Minister of Co-operative Governance and Traditional Affairs' determination of upper limits of the salaries, allowances and benefits as promulgated annually.

The annual financial statements set out on pages 5 to 47, which have been prepared on the going concern basis, were approved on 31 August 2015 and were signed on behalf of the Municipality by:

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**ML MOKONYANE**  
**ACTING ACCOUNTING OFFICER**

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**DATE**

**MARULENG MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2015**

**STATEMENT OF FINANCIAL POSITION**

For the year ended 30 June 2015

	Notes	2015 R	2014 R
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	2	66 533	84 328
Receivable from exchange transactions	3	1 455 128	429 577
Receivable from non-exchange transactions	4	3 106 453	1 632 138
Other receivables	5	21 795 857	18 524 472
VAT receivable	6	8 216 268	3 359 254
Cash and cash equivalents	7	57 272 914	43 104 959
		<b>91 913 154</b>	<b>67 134 729</b>
<b>Non-current assets</b>			
Property, plant & equipment	8	292 304 116	281 904 539
Intangible assets	9	773 486	377 620
Heritage assets		216 000	216 000
Investment property carried at fair value	10	4 183 574	3 679 938
		<b>297 477 176</b>	<b>286 178 096</b>
<b>TOTAL ASSETS</b>		<b>389 390 330</b>	<b>353 312 826</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	11	6 958 857	2 034 204
Trade and other payables from non exchange transactions	12	1 826 888	1 401 451
Unspent conditional grants and receipts	13	5 036 039	9 227 398
Short-term obligations to employees	14	4 193 608	4 502 564
Current portion of finance lease obligation	15	0	180 550
		<b>18 015 392</b>	<b>17 346 166</b>
<b>Non-current liabilities</b>			
Long-term obligations to employees	16	5 902 394	4 477 698
		<b>5 902 394</b>	<b>4 477 698</b>
<b>TOTAL LIABILITIES</b>		<b>23 917 786</b>	<b>21 823 864</b>
<b>NET ASSETS</b>		<b>365 472 544</b>	<b>331 488 961</b>

**MARULENG MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2015**

**STATEMENT OF FINANCIAL PERFORMANCE**

**For the year ended 30 June 2015**

	Notes	2015 R	2014 R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	3 179 464	2 564 209
Finance income	18	2 882 082	1 816 214
Rental of facilities and equipment		324 656	269 430
Licences and permits		2 865 584	2 328 118
Agency fees	19	884 460	1 952 081
Other revenue	20	3 051 227	1 852 507
<b>Total revenue from exchange transactions</b>		<b>13 187 472</b>	<b>10 782 560</b>
<b>Revenue from non exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	21	29 368 837	12 594 085
<b>Transfer revenue</b>			
Government grants and subsidies received - operating	22	76 724 114	68 062 483
Government grants and subsidies received - capital	22	34 830 221	27 869 161
<b>Total revenue from non exchange transactions</b>		<b>140 923 173</b>	<b>108 525 729</b>
<b>TOTAL REVENUE</b>		<b>154 110 644</b>	<b>119 308 289</b>
<b>EXPENDITURE</b>			
Employee related costs	23	39 694 442	30 704 717
Remuneration of councillors	24	7 805 186	7 664 592
Bad debts		8 033 579	2 827 451
Depreciation and amortisation expense	25	29 042 647	28 431 953
Finance cost	26	8 187	86 022
lease rental		154 431	0
Repairs and maintenance		1 703 406	1 296 906
General expenses	27	27 061 450	21 602 833
Contracted services	28	6 819 324	5 613 865
Loss on disposal of Assets	29	308 043	11 032 973
<b>TOTAL EXPENDITURE</b>		<b>120 630 697</b>	<b>109 261 311</b>
<b>NET SURPLUS BEFORE:</b>			
Surplus on valuation of heritage assets	30	33 479 947	10 046 977
Fair value adjustment of investment property	31	.	216 000
		503 636	-
<b>NET SURPLUS FOR THE YEAR</b>		<b>33 983 583</b>	<b>10 262 977</b>



MARULENG MUNICIPALITY  
Annual Financial Statements for the year ended 30 June 2015

STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Note	2015 R	2014 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>RECEIPTS</b>		<b>137 274 667</b>	<b>116 113 411</b>
Service charges		727 554	481 001
Property rates		22 382 867	12 594 085
Grants and subsidies		107 362 976	101 417 000
Other receipts		6 801 270	1 621 326
<b>PAYMENTS</b>		<b>(85 653 923)</b>	<b>(71 180 088)</b>
Employee costs		(37 294 819)	(30 704 717)
Remuneration for councillors		(7 805 186)	(7 664 592)
Suppliers		(28 478 043)	(6 910 771)
Other payments		(12 075 875)	(25 900 009)
<b>Cash generated from operations</b>	<b>32</b>	<b>51 620 744</b>	<b>44 933 323</b>
Investment revenue/ interests received		2 882 082	1 816 214
Interest Paid		( 8 187)	( 86 022)
<b>Net Cash From Operating Activities</b>		<b>54 494 639</b>	<b>46 663 515</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment and other assets		(40 146 134)	(22 491 906)
Loss on disposal of assets		0	(10 349 033)
<b>Net cash used in investing activities</b>		<b>(40 146 134)</b>	<b>(32 840 939)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of finance lease liabilities		( 180 550)	( 256 297)
<b>Net cash used in financing activities</b>		<b>( 180 550)</b>	<b>( 256 297)</b>
<b>Increase in cash and cash equivalents</b>		<b>14 167 955</b>	<b>13 566 279</b>
Cash and cash equivalents at beginning of the year		<b>43 104 959</b>	<b>29 538 680</b>
Cash and cash equivalents at end of the year		<b>57 272 914</b>	<b>43 104 959</b>

**MARULENG MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2015**

**STATEMENT OF COMPARISON BETWEEN BUDGETED AND  
ACTUAL AMOUNTS**

For the year ended 30 June 2015

BUDGET		ACTUAL	VARIANCE	VARIANCE EXPLANATION
	<b>REVENUE</b>			
	<b>Revenue from exchange transactions</b>			
3 127 000	Service charges	3 179 464	52 464 F 1.68%	
	Finance income			Interest on additional grants rechanelled to the municipality
2 257 000		2 882 082	625 082 F 27.70%	
322 109	Rental of facilities and equipment	324 656	2 547 F 0.79%	
2 867 400	Licences and permits	2 865 584	( 1 816) U -0.06%	
	Agency fees			Unanticipated increase in transaction volumes
703 000		884 460	181 460 F 25.81%	
1 756 247	Other revenue	3 051 227	1 294 980 F 73.74%	Mainly due to traffic fines which were budgeted for on cash basis but accounted for in the AFS on accrual basis
<b>11 032 756</b>	<b>Total revenue from exchange transactions</b>	<b>13 187 472</b>	<b>2 154 716</b>	
	<b>Revenue from non exchange transactions</b>			
	<b>Taxation revenue</b>			
29 547 413	Property rates	29 368 837	178 576 F 0.60%	
	Traffic fines			
	<b>Transfer revenue</b>			
77 279 559	Government grants and subsidies received - operating	76 724 114	555 445 F 0.72%	
34 310 839	Government grants and subsidies received - capital	34 830 221	( 519 382) U -1.51%	
<b>141 137 811</b>	<b>Total revenue from non exchange transactions</b>	<b>140 923 173</b>	<b>214 638 F 0.15%</b>	
<b>152 170 567</b>	<b>TOTAL REVENUE</b>	<b>154 110 644</b>	<b>1 940 077 F 1.27%</b>	
	<b>EXPENDITURE</b>			
42 449 878	Employee related costs	39 694 442	2 755 436 F 6.49%	
8 552 170	Remuneration of councillors	7 805 186	746 984 F 8.73%	
3 700 000	Bad debts	8 033 579	(4 333 579) U -117.12%	
33 000 000	Depreciation and amortisation expense	29 042 647	3 957 353 F 11.99%	Budgeting inaccuracies
78 000	Finance cost	8 187	69 813 F 89.50%	Budgeting inaccuracies
2 808 318	Repairs and maintenance	1 703 406	1 104 911 F 39.34%	Budgeting inaccuracies
38 134 262	General expenses	27 061 450	11 072 812 F 29.04%	Cost containment measures
7 426 247	Contracted services	6 819 324	606 923 F 8.17%	
0	Loss on disposal of Assets	308 043	( 308 043)	
<b>136 148 875</b>	<b>TOTAL EXPENDITURE</b>	<b>120 476 266</b>	<b>(15 672 609) U</b>	
16 021 692	<b>NET SURPLUS BEFORE:</b>	33 634 378	17 612 687 U	
	- Surplus on valuation of heritage assets			
	- Surplus on revaluation of investment property	503 636	503 636	
<b>16 021 692</b>	<b>NET SURPLUS FOR THE YEAR</b>	<b>34 138 014</b>	<b>18 116 323</b>	

**MARULENG MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2015**

**STATEMENT OF CHANGES IN NET ASSETS**

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For the year ended 30 June 2015

	<b>Accumulated Surplus/ (Deficit) R</b>	<b>Total  R</b>
Balance at 30 June 2013	<b>319 277 252</b>	<b>319 277 252</b>
Surplus for the year as previously reported	13 489 071	13 489 071
Balance at 30 June 2014 as previously reported	<b>332 766 324</b>	<b>332 766 324</b>
Correction of errors - Income Statement	(3 226 094)	(3 226 094)
Correction of errors - balance sheet	1 948 731	1 948 731
Balance at 30 June 2014 restated	331 488 961	331 488 961
Surplus for the current year	33 983 583	33 983 583
Balance as at 30 June 2015	<b>365 472 544</b>	<b>365 472 544</b>

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

### 1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

#### 1.1 Basis of presentation

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated.

These annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

#### 1.2 Presentation currency

These annual financial statements are presented in South African Rand, rounded off to the nearest Rand, which is the functional currency of the municipality.

#### 1.3 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.4 Comparative information

##### 1.4.1 Current year comparative budget

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

##### 1.4.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

The presentation and classification of items in the current year is consistent with prior periods.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### **1.5 Property, plant and equipment**

#### **1.5.1 Initial recognition and measurement**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, including import duties and non-refundable taxes.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

### 1.5.2 Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### 1.5.3 Depreciation

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives as per the MFMA - Local Government Capital Assets Management Guidelines:

	Years
<b>Infrastructure Assets</b>	
Roads, pavements, bridges and storm water	5 – 80
Traffic management	5 – 40
Electrical infrastructure	10 – 50
<b>Land and Buildings</b>	
Community facilities: Buildings	10 – 25
Community facilities: Sports facilities	10 – 300
Operational facilities: Buildings	10 – 60
Operational facilities: Security measures	10
<b>Other assets</b>	
Computer Equipment	5 – 7
Garden Equipment	5 – 10
Kitchen Equipment	5
Motor Vehicles	7 – 10
Office Equipment	5 – 7
Office Furniture and Fittings	5 – 7
Rescue & fire Equipment	5
Library books	10 – 20

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

### 1.5.4 Impairment

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance. (Impairment loss of a revalued asset is treated as a revaluation decrease).

### **1.5.5 Derecognition**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **1.6 Heritage Assets**

### **1.6.1 Initial recognition and measurement**

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and
- (b) the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

### **1.6.2 Subsequent measurement**

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

### **1.6.3 Impairment**

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

A heritage asset shall not be depreciated but the municipality shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

### 1.6.4 Derecognition

The carrying amount of a heritage asset shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

## 1.7 Intangible assets

### 1.7.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost. Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### 1.7.2 Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

### 1.7.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

	<b>Years</b>
Licences	3 – 7
Computer software	3 – 7

Each item of intangible asset is amortised separately.



The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### **1.7.4 Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.8 Investment property**

#### **1.8.1 Initial recognition**

Investment property is property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes; or
- (b) sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in initial measurement. Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### **1.8.2 Subsequent measurement**

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date.

## **1.9 Inventories**

### **1.9.1 Initial recognition**

Inventories are initially measured at cost. Where inventories are acquired through non exchange transaction their cost shall be measured at their fair value as the date of acquisition.

### **1.9.2 Subsequent measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and current replacement cost where they are held for distribution at no charge or for nominal charge. Redundant and slow-moving inventories are identified and written down to the lower of cost or current replacement value. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are held for own use with the result that it should be carried at the lower of cost or current replacement cost.

### **1.9.3 Cost formula**

The cost of inventories is assigned by using the weighted average cost formula.

## **1.10 Financial instruments**

### **1.10.1 Initial recognition**

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

### **1.10.2 Subsequent measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at

## MARULENG MUNICIPALITY

### Annual Financial Statements for the year ended 30 June 2015

amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

The municipality classifies its financial assets into the following categories:

- loans and receivables; and
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

#### **1.10.3 Trade and other receivables**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

#### **1.10.4 Trade payables and borrowings**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially

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## Annual Financial Statements for the year ended 30 June 2015

recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### **1.10.5 Cash and cash equivalents**

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### **1.10.6 Impairment**

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

### **1.10.7 Impairment of non-financial assets**

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

### **1.10.8 Gains and losses**

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## Annual Financial Statements for the year ended 30 June 2015

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

### 1.11 Provisions and contingent liabilities

The municipality does not recognise a contingent liability. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### 1.12 Leases

#### 1.12.1 The municipality as the Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance

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## Annual Financial Statements for the year ended 30 June 2015

costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. The aggregate benefit of incentives of operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

### **1.12.2 The municipality as the Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis.

The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

## **1.13 Revenue recognition**

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

### **1.13.1 Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

#### **1.13.1.1 Service charges**

When the outcome of a transaction involving the rendering services can be estimated reliably, revenue associated with the transaction is recognised by the stage of completion of the transaction at the reporting date. The outcome of the transaction can be estimated reliably when the following are met:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

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**Annual Financial Statements for the year ended 30 June 2015**

**1.13.1.2**

**Sale of goods**

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (a) The entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- (b) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- (c) The amount of revenue can be measured reliably.
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

**1.13.1.3**

**Interest**

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset.

**1.13.1.4**

**Agency services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when incurred.

**1.13.2 Revenue from non-exchange transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

**1.13.2.1**

**Rates (including collection charges and penalty interest)**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates

are recognised once the municipal valuer has valued the change to properties.

**1.13.2.2 Fines**

Fines are economic benefits or service potential received or receivable by an entity from individual or other entity, as determined by court or other law enforcement body, as a consequence of the individual or other entity breaching the requirements of laws or regulations, Law enforcement official are able to impose fines on individuals considered to have breached the law. In these cases, the individual will normally have the choice of paying the fine, or going to court to defend the matter, where a defendant reaches an agreement with a prosecutor that includes the payment of penalty instead of being tried in court, the payment is recognised as a fine.

Fines are recognised at the full amount at transaction date. Subsequent to the initial recognition of revenue charged, the fines are assessed for impairment when the accounts fall into arrears.

**1.13.2.3 Other revenue**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

**1.14 Employee benefits**

**1.14.1 Short-term employee benefits**

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

**1.14.2 Post-employment benefits**

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions



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## Annual Financial Statements for the year ended 30 June 2015

payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

The cost of all short term employee benefits, such as leave pay, is recognised during the period in which the employee renders the related services. The Municipality recognises the expected cost of performance bonus only when the Municipality has a present legal or constructive obligation to make such payments, and a reliable estimate can be made.

### **1.14.3 Termination benefits**

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

### **1.14.4 Long term employee benefits**

The Municipality provides long term incentives to eligible employees, payable on completion of years of employment. The liability is based on an actuarial valuation. The projected unit credit method has been used to value the obligation. Actuarial gains and losses on the long term incentives are accounted for through the Statement of Financial Performance.

## **1.15 Offsetting**

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## **1.16 Government grants and transfers**

Conditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Interest earned on the investment is treated in accordance with grant conditions.

## **1.17 Accumulated surplus**

A statement of changes in net assets is included in the Annual Financial Statements that discloses the following:

- the effect of changes in accounting policies and correction of errors;
- the balance of retained earnings at the beginning of the period and at the balance sheet date and the changes during the period; and
- a reconciliation between the carrying amount of each class of reserves at the beginning and the end of the period.

### **1.18 Related parties**

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party transactions are transactions that involve the transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

#### **1.18.1 Key management personnel**

Management comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

The total cost of all employee benefits, such as short term employee benefits, post-employment benefits, other long term benefits and termination benefits are recognised during the period in which the employee renders the related services.

Employee benefits resulting from related party transaction are expensed in the Statement of Financial Performance in the financial year during which the payment is made or accrued.

### **1.19 Changes in accounting policies and estimates and prior period errors**

#### **1.19.1 Accounting policies**

Accounting policies are only changed if required by an accounting standards or interpretation, the change will provide more relevant and reliable information or in terms of the transitional provisions of the new standards.

Accounting policy changes are applied retrospectively, including all comparative periods shown and their opening balances.

#### **1.19.2 Change in estimates**

The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both.

#### **1.19.3 Prior period errors**

Corrections are made retrospectively in the first set of financial statements authorised for issue after their discovery by:

- (a) restating the comparative amounts for the prior period presented in which the error occurred; or
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

## **1.20 Significate judgements and estimates**

### **1.20.1 Use of estimates**

The use of accounting estimates is an essential part in the preparation of financial statements. They arise as a result of uncertainties inherent in delivering goods, services and conducting trading activities.

The use of estimates does not undermine the reliability of the information presented as the estimate should be made using the latest available and most reliable information.

As and when the information on which the estimate is based changes, it also becomes necessary to revise the previous estimate. By nature, the revision of an estimate does not have an effect on prior periods and is therefore not a correction of a prior period error. A revision of an accounting estimate won't be seen to be a correction of an error provided the estimate was based on the latest and most reliable information available at the time that the estimate was made. An example of a change in accounting estimate will be the reassessment of the prior period impairment loss based on new information available in the current financial period.

### **1.20.2 Other provisions**

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

### **1.20.3 Pension and other employment benefits**

Post-employment benefits offered by the entity take the form of defined benefit plans. The cost of defined benefit pension plans, other post-employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations.

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

For key actuarial assumptions, refer to Note 17.

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## Annual Financial Statements for the year ended 30 June 2015

### **1.21 Commitments**

The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date.

### **1.22 Presentation of budget policy**

The following is presented as a note to the Financial Statement:

- Last approved and final budget amounts (which includes changes made by management within the prescribed limits), budget and actual amounts on a comparable basis; and
- explanations of material differences between budget and actual amounts, except where explanations have been included in other documents published in conjunction with the financial statements and cross reference to these documents is made.

### **1.23 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.24 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.25 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.26 Value Added Tax (VAT)**

The municipality accounts for Value Added Tax on the cash basis.

### **1.27 Events after balance sheet**

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

Events that occur after the reporting date are those favourable or unfavourable events that occur between the end of the reporting period and the date of authorisation of the financial statements for issue.

### **1.27.1 Adjusting events**

Events that provided additional evidence of the conditions that existed at the end of the reporting period.

### **1.27.2 Non-adjusting events**

Events that are indicative of the conditions that arose after the reporting period.

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**Annual Financial Statements for the year ended 30 June 2015**

**NOTES TO ANNUAL FINANCIAL STATEMENTS**

<b>2. INVENTORIES</b>	<b>2015 R</b>	<b>2014 R</b>
Inventory - at cost	<b>66 533</b>	<b>84 328</b>
<b>Movement for inventories</b>		
Stationery	(3 722)	54 957
Consumables	(14 073)	(9 655)
	<b>(17 795)</b>	<b>45 301</b>

Held for own use with the aim that it should be carried at the lower of cost or current replacement  
Inventory has not been pledged as security for liabilities

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Trade debtors	2 071 448	1 493 506
Other debtors	2 858 588	474 827
Prior years billing		(59 385)
Gross balance	4 930 036	1 908 948
Less: Provision for Doubtful Debts	(3 474 908)	(1 479 371)
<b>Net balance</b>	<b>1 455 128</b>	<b>429 577</b>
<b>Refuse and other</b>		
Current (0 - 30 days)	1 119 152	130 935
31 - 60 days	305 876	166 578
61 - 90 days	226 029	145 177
91 - 120 days	243 879	94 014
120 days +	3 035 101	1 372 245
<b>Total</b>	<b>4 930 036</b>	<b>1 908 948</b>

Receivables from exchange transactions at 30 June 2015: R4,930,036 (2014: R1,908,948)

**4. RECEIVABLES FROM NON EXCHANGE TRANSACTIONS**

Debtors for rates and traffic fines	23 502 957	15 990 600
Less: Provision for Doubtful Debts	(20 396 504)	(14 358 462)
<b>Net balance</b>	<b>3 106 453</b>	<b>1 632 138</b>
<b>4.1 Rates</b>	<b>22 681 068</b>	<b>15 695 098</b>
Less: Provision for Doubtful Debts	(20 184 647)	(14 302 434)
<b>Net balance</b>	<b>2 496 422</b>	<b>1 392 664</b>
<b>4..2 Debtors for traffic fines</b>	<b>821 889</b>	<b>295 502</b>
Less: Provision for Doubtful Debts	(211 857)	(56 028)
	<b>610 032</b>	<b>239 474</b>
	<b>3 106 453</b>	<b>1 632 138</b>

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

### NOTES TO ANNUAL FINANCIAL STATEMENTS

Revenue from fines was in the past accounted for on cash basis.

Revenue from traffic fines was in the past accounted for on cash basis. Debtors for traffic fines are recognised for the first time in the financial year 2014/15.

The closing balance is determined by taking into account the gross fines, payments and fine reductions or cancellations granted by the courts.

Comparative figures for the financial year 2014/15 have been determined and stated.

#### 4.3 Debtors Age Analysis

##### Rates

Current (0 - 30 days)	3 587 267	938 058
31 - 60 days	1 222 873	670 450
61 - 90 days	1 113 822	558 229
91 - 120 days	972 306	439 956
120 days +	15 784 801	13 088 404
<b>Total</b>	<b>22 681 068</b>	<b>15 695 098</b>

##### Summary of Debtors by customers classification

	Consumers R	Industrial Commercial R	National government R	Total R
Current (0 - 30 days)	1 129 909	293 463	325 282	<b>1 748 654</b>
31 - 60 days	827 953	211 406	322 998	<b>1 362 357</b>
61 - 90 days	688 137	177 437	272 734	<b>1 138 308</b>
91 - 120 days	611 411	122 526	120 757	<b>854 694</b>
120 days +	18 188 046	2 642 306	1 676 740	<b>22 507 092</b>
Sub Total	<b>21 445 457</b>	<b>3 447 137</b>	<b>2 718 511</b>	<b>27 611 105</b>
<b>Less: Provision for doubtful debts</b>	<b>(14 171 903)</b>	<b>(8 767 243)</b>	<b>( 720 408)</b>	<b>(23 659 555)</b>
Total debtors by customer Classification	<b>7 273 554</b>	<b>(5 320 106)</b>	<b>1 998 103</b>	<b>3 951 550</b>

#### 4.5 Reconciliation of the doubtful debt provision

Balance at beginning of the year	15 725 777	13 010 381
Contributions to provision	7 665 892	2 715 397

Balance at end of year	<b>23 391 669</b>	<b>15 725 777</b>
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The provision for doubtful debt on fines is as follows:

Balance at beginning of the year	( 56 028)	0
Contributions to provision	( 155 830)	( 56 028)
	<b>( 211 857)</b>	<b>( 56 028)</b>

The provision for doubtful debt on rates and fines is as follows:

Balance at beginning of the year	15 669 750	13 010 381
Contributions to provision	7 510 062	2 659 369
	<b>23 179 812</b>	<b>15 669 750</b>

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**Annual Financial Statements for the year ended 30 June 2015**

**NOTES TO ANNUAL FINANCIAL STATEMENTS**

5.	Sundry debtors	479 058	375 614
	Inter - Municipal receivables	21 309 856	18 130 734
	Deposits received	6 943	6 943
	Agreements	0	11 238
	<b>Total Other Receivables</b>	<b>21 795 857</b>	<b>18 524 529</b>

6.	<b>VAT RECEIVABLE</b>		
	VAT receivable mainly comprises		
	VAT receivable	<b>8 216 268</b>	<b>3 359 254</b>

**7. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Cash on floats	710	710
Cash at bank	5 806 070	520 198
Call deposits	51 466 133	42 584 051
	<b>57 272 914</b>	<b>43 104 959</b>

The municipality has the following bank accounts:

**7.1 Current account (primary bank account)**  
**Bank: Standard Bank - Hoedspruit Branch**  
 Account number: 033355487

Bank statement balance at beginning of year	445 508	3 459 630
Bank statement balance at end of the year	<b>5 711 912</b>	<b>445 508</b>
Cash book balance at beginning of year	3 562 786	3 562 786
<b>Cash book balance at end of year</b>	<b>5 806 070</b>	<b>518 485</b>

**7.2 Disaster Bank Account**  
 Account number: 033360642

Bank statement balance at beginning of year	0	82.00
Bank statement balance at end of year	<b>0</b>	<b>0</b>
Cash book balance at beginning of year	0	1 015.00
<b>Cash book balance at end of year</b>	<b>0</b>	<b>1 713</b>

**7.3 Standard Bank Account**  
 Call deposit Account  
 Account number: 038579111-02

Bank statement balance at beginning of year	17 637 305	2 187 281
Bank statement balance at end of year	<b>25 180 754</b>	<b>17 637 305</b>
Cash book balance at beginning of year	17 637 305	2 187 281
<b>Cash book balance at end of year</b>	<b>25 180 754</b>	<b>17 637 305</b>



# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

### NOTES TO ANNUAL FINANCIAL STATEMENTS

#### 8. PROPERTY, PLANT & EQUIPMENT

##### OWNED ASSETS:

##### 8.1 Reconciliation of Carrying Value

	Land & Buildings	Infrastructure	WIP	Library books	Other Assets	Finance Lease assets	Total
	R	R	R	R	R	R	R
<b>30 June 2015</b>							
<b>Carrying values at beginning of the year</b>	<b>182 069 531.57</b>	<b>80 801 389.56</b>	<b>11 580 946.08</b>	<b>145 357.04</b>	<b>7 123 075.20</b>	<b>184 239.26</b>	<b>281 904 538.70</b>
Cost	228 782 461.56	177 302 561.36	11 580 946.08	250 101.89	10 502 199.29	1 097 939.30	429 516 209.47
Accumulated depreciation	-46 712 929.98	-96 501 171.81	-	-104 744.85	-3 379 124.09	-913 700.04	-147 611 670.77
Acquisitions	790 575.14	-	-	-	4 040 426.84	-	4 831 001.98
Capital under construction	-	-	34 800 291.39	-	-	-	34 800 291.39
Transfer of completed Projects	-	10 012 057.78	-10 012 057.78	-	-	-	-
Depreciation & Impairment	-9 758 393.52	-17 561 330.19	-	-23 812.67	-1 420 788.96	-184 239.26	-28 948 564.59
Assets disposed	-	-23 584.80	-	-1 487.50	-258 081.58	-	-283 153.88
Cost	-	-25 224.72	-	-3 060.00	-521 869.71	-	-550 154.44
Accumulated depreciation	-	1 639.93	-	1 572.50	263 788.13	-	267 000.56
<b>Carrying value at end of the year</b>	<b>173 101 713.19</b>	<b>73 228 532.35</b>	<b>36 369 179.69</b>	<b>120 056.87</b>	<b>9 484 631.50</b>	<b>-</b>	<b>292 304 113.60</b>
Cost	229 573 036.70	187 289 394.42	36 369 179.69	247 041.89	14 020 756.42	1 097 939.30	468 597 348.41
Accumulated depreciation	-56 471 323.50	-114 060 862.07	-	-126 985.02	-4 536 124.92	-1 097 939.30	-176 293 234.81
<b>Reconciliation of Carrying Value</b>							
<b>30 June 2014</b>							
<b>Carrying values at beginning of the year</b>	<b>181 839 022.96</b>	<b>86 693 861.77</b>	<b>11 925 355.55</b>	<b>182 288.46</b>	<b>8 242 734.81</b>	<b>469 395.61</b>	<b>289 352 659.16</b>
Cost	219 253 334.78	165 740 652.07	11 925 355.55	262 726.89	11 200 338.50	1 097 939.30	409 480 347.07
Accumulated depreciation	-37 414 311.82	-79 046 790.30	-	-80 438.43	-2 957 603.68	-628 543.69	-120 127 687.92
Acquisitions	535 803.00	-	-	-	1 039 329.34	-	1 575 132.34
Capital under construction	-	-	20 685 159.61	-	-	-	20 685 159.61
Transfer of completed Projects	8 993 323.78	11 561 909.30	-21 029 569.08	-	-	-	-474 336.00
Depreciation & Impairment	-9 298 618.16	-17 454 381.51	-	-30 024.27	-1 351 789.50	-285 156.35	-28 419 969.78
Assets disposed	-	-	-	-6 907.16	-807 199.46	-	-814 106.62
Cost	-	-	-	-12 625.00	-1 737 468.55	-	-1 750 093.55
Accumulated depreciation	-	-	-	5 717.84	930 269.09	-	935 986.93
<b>Carrying value at end of the year</b>	<b>182 069 531.57</b>	<b>80 801 389.56</b>	<b>11 580 946.08</b>	<b>145 357.04</b>	<b>7 123 075.20</b>	<b>184 239.26</b>	<b>281 904 538.70</b>
Cost	228 782 461.56	177 302 561.36	11 580 946.08	250 101.89	10 502 199.29	1 097 939.30	429 516 209.47
Accumulated depreciation – cost	-46 712 929.98	-96 501 171.81	-	-104 744.85	-3 379 124.09	-913 700.04	-147 611 670.77

#### 9. INTANGIBLE ASSETS

##### Computer software

##### Reconciliation of Carrying Value

##### Carrying values at beginning of the year

Cost	377 619.92	27 820.74
Accumulated amortisation	411 040.20	49 500.00
	-33 420.28	-21 679.26

##### Amortisation

Additions	-94 082.60	-11 741.02
	489 948.60	361 540.20

##### Carrying value at end of the year

Cost	773 485.92	377 619.92
Accumulated amortisation	900 988.80	411 040.20
	-127 502.88	-33 420.28

**MARULENG MUNICIPALITY**  
**Annual Financial Statements for the year ended 30 June 2015**

**NOTES TO ANNUAL FINANCIAL STATEMENTS**

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<b>10 HERITAGE ASSETS CARRIED AT COST</b>	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
Carrying values at beginning of the year	<b>216 000.00</b>	<b>216 000.00</b>
Cost	216 000.00	216 000.00
Carrying value at end of the year	<b>216 000.00</b>	<b>216 000.00</b>
Cost	216 000.00	216 000.00
<b>11 INVESTMENT PROPERTY CARRIED AT COST</b>	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>
Carrying values at beginning of the year	<b>3 679 938.00</b>	<b>3 679 938.00</b>
Fair value	3 679 938.00	3 679 938.00
<b>ADJUSTED VALUE</b>	-	-
Fair value	503 636.00	-
Carrying value at end of the year	<b>4 183 574.00</b>	<b>3 679 938.00</b>
Fair value	4 183 574.00	3 679 938.00

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

### 12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	149 734	86 460
Accruals	2 174 778	450 460
Retentions	4 446 862	1 451 447
Unknown deposits	187 483	45 838
<b>Total Trade and Other Payables</b>	<b>6 958 857</b>	<b>2 034 204</b>

### 13 TRADE AND OTHER PAYABLES FROM NON EXCHANGE TRANSACTIONS

Amounts received in advance	1 403 496	1 088 837
Other payables	423 392	312 614
	<b>1 826 888</b>	<b>1 401 451</b>

### 14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

#### *Conditional Grants from other spheres of Government*

Municipal Systems Improvement Grant	0	225 559
Municipal Infrastructure Grant	4 480 618	9 001 839
Disaster fund	555 421	0
<b>Total Conditional Grants and Receipts</b>	<b>5 036 039</b>	<b>9 227 398</b>

The nature and extent of the government grants recognised in the financial statement and indication of the other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See relevant note for the reconciliation of grants from other spheres of government.

These amounts are invested in a ring-fenced investment until utilised.

### 15 SHORT-TERM OBLIGATIONS TO EMPLOYEES

The total amounts recognised in the statement of financial position as follows:

Leave provision		
Bonus provision	1 850 289	2 735 329
Provision for performance bonuses	1 941 985	795 245
	401 334	971 989
	<b>4 193 608</b>	<b>4 502 564</b>

Performance bonuses are paid one year in arrears as the assessment of eligible employees takes place after the reporting date. The performance bonuses is only applicable for directors. To qualify for the performance bonus, an employee must have been employed for a period of twelve months.

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

### 17 LONG TERM OBLIGATIONS TO EMPLOYEES

The total amount recognised in the statement of financial position are as follows:

Long service awards	2 138 843	1 368 462
Post employment medical aid	3 763 551	3 109 236
	<b>5 902 394</b>	<b>4 477 698</b>

#### 17.1 Long service awards

Long service award relate to legal obligation to provide for long service leave awards, An Actuarial benefits has been performed on all 117 (2013: 121) employees that are entitled to long service awards on 30 June 2014. The long service leave awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability.

Maruleng offers bonuses for every five years of completed services from 10 years to 45 years

The amount recognised in the statement of financial position is as follows:

##### Carrying value

Present value of the defined benefit obligation-wholly unfunded	<b>2 138 843</b>	<b>1 368 462</b>
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Change in the present value of the defined benefit obligation are as follows:

##### Opening accrued liability

Current service cost	1 368 462	1 383 495
Interest cost	214 000	246 000
Actuarial gains and losses	124 000	103 000
	461 381	(260 000)
<b>Net expense recognised in the statement of financial position</b>	<b>799 381</b>	<b>89 000</b>
Expected contributions (benefits paid)	(29 000)	(104 033)
<b>Closing accrued liability</b>	<b>2 138 843</b>	<b>1 368 462</b>

##### Calculation of actuarial gains and losses

Actuarial losses/ (gains) - obligation	461 381	(260 000)
Actuarial (gains)/ losses - obligation	-	-
	<b>461 381</b>	<b>(260 000)</b>

##### Key assumption used

##### Assumption used at the reporting date

Discount rates used	8.42%	8.56%
General salary inflation	7.31%	7.34%
Net discount rate	1.04%	1.14%
Normal retirement age	63	63

#### 17.2 Post employment Medical Aid

An actuarial valuation has been performed in respect of post employment medical benefits which employees may become entitled to after retirement. The employee post employment health care liability consists of a commitment to pay a portion of the pensioners medical Scheme contributions. This liability is also generated in respect of dependents who are offered continued membership of the medical schemes on the death of the pensioner. Summary of assumptions were provided to the municipality. The medical contribution is an actuarial calculation which was performed by One Pangea financial, an actuarial consulting company specialising in the valuation of the employee benefit liabilities for accounting disclosure purposes.

Currently there are no pensioners being subsidised for medical aid contributions hence no benefits payment

The Amount recognised in the statement of financial position is as follows:

##### Carrying value

Present value of the defined benefit obligation-wholly unfunded	3 763 551	3 109 296
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Change in the present value of the defined benefit obligation are as follows:

##### Opening accrued liability

Current service cost	3 109 296	4 216 384
Interest cost	478 000	712 000
Actuarial gains and losses	308 000	314 000
	(131 745)	(2 133 088)
<b>Net expense recognised in the statement of financial position</b>	<b>654 255</b>	<b>(1 107 088)</b>
Expected contributions (benefits paid)	-	-
<b>Closing accrued liability</b>	<b>3 763 551</b>	<b>3 109 296</b>

##### Calculation of actuarial gains and losses

Actuarial losses/ (gains) - obligation	(131 745)	(2 133 088)
Actuarial (gains)/ losses - obligation	-	-
	<b>(131 745)</b>	<b>(2 133 088)</b>

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

### Key assumption used

#### Assumption used at the reporting date

Discount rates used	9.90%	9.90%
Consumer price inflation	7.37%	7.37%
Health care cost inflation	8.87%	8.87%
Net Discount rate	0.95%	0.95%

### 18 REVENUE FROM EXCHANGE TRANSACTIONS

#### Revenue from exchange transactions include-

#### 18.1 Service charges

Refuse removal	3 179 464	2 564 209
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#### 18.2 Finance Income

Interest receivables - External investments	2 882 082	1 609 882
	<b>2 882 082</b>	<b>1 816 214</b>

#### 18.3 Agency fees

Gross receipts from vehicle licencing	884 460	1 923 273
Transfers to Department of Roads and Transport	7 623 709	1 923 273
	(6 739 250)	
	0	28 808

#### 18.4 Other income

Interest on outstanding debtors	884 460	1 952 081
Fines	1 144 216	0.00
Gain on disposal of assets	771 847	221 915.86
SITA refunds	0	0.00
Clearance certificates	65 789	65 481.45
Other income	92 666	43 795.12
Subdivision	24	275 253.94
Valuation certificates	0	3 191.15
Rezoning	1 161	388.25
Signboards, adverts etc	8 832	3 018.69
Building plans	7 591	14 041.36
Town planning fees	769 416	759 567.03
Tender documents	17 751	21 246.81
Library mebership fees	170 528	147 313.46
	1 408	1 792.09

### 19 REVENUE FROM NON EXCHANGE TRANSACTIONS

#### Revenue from non exchange transactions include

19.1 Property rates	29 368 837	12 594 085
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#### 19.2 Traffic fines

794 600	316 200
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#### 19.3 Grants and subsidies

Government grants and subsidies received - operating	76 724 114	68 062 483
Government grants and subsidies received - capital	34 830 221	27 869 161

Property rates levied	29 368 837	12 594 085
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#### VALUATIONS

	R	R
Residential	1 599 414 500	1 407 100 000
Commercial	977 089 000	841 747 000
State	213 987 480	126 229 450
Agricultural	618 339 300	518 645 000
Other	379 037 700	653 432 500
	<b>3 787 867 980</b>	<b>3 547 153 950</b>

The New valuation roll was conducted and implemented on the first of July 2012 and is valid until 30 June 2016, the valuation roll is updated and maintained annually by conducting supplementary Valuations,

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

### 20 GOVERNMENT SUBSIDIES & GRANTS

#### **Operating Grants**

	<b>76 724 114</b>	<b>68 062 483</b>
Equitable share	71 904 000	60 742 000
Finance management Grant	1 800 000	1 671 237
Municipal Systems Improvement Grant	1 159 535	664 441
Mopani District Municipality	0	20 745
Disaster	544 579	536 240
INEG	0	3 104 644
EPWP	1 316 000	1 323 176

#### **Capital Grants**

Municipal Infrastructural Grant	34 830 221	27 869 161
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#### **Total Government Grants & Subsidies**

<b>111 554 335</b>	<b>95 931 644</b>
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#### 20.1 **Equitable Share**

In terms of the Constitution, this is an unconditional grant used to subsidise the provision of basic services to indigent community members.

#### 20.2 **Finance Management Grant**

Balance unspent at beginning of year	0	21 237
Current year receipts	1 800 000	1 650 000
Conditions met – transferred to revenue	-1 800 000	-1 671 237
<b>Unspent amount transferred to liabilities</b> (See note 15)	<b>0</b>	<b>0</b>

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met.

#### 20.3 **Municipal Systems**

Balance unspent at beginning of year	225 559	0
Current year receipts	934 024	890 000
Conditions met – transferred to revenue	-1 159 559	-664 441
<b>Unspent amount transferred to liabilities</b> (See note 15)	<b>24</b>	<b>225 559</b>

The purpose of the grant is for institutional systems. No funds were withheld or delayed.

#### 20.4 **Municipal Infrastructure Grant**

Balance unspent at beginning of year	9 001 839	(307 026)
Current year receipts	30 309 000	36 563 974
Conditions met – transferred to	(34 830 221)	(27 869 161)
<b>Unspent amount transferred</b> (See note 15)	<b>4 480 618</b>	<b>9 001 839</b>

This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met. No funds have been withheld.

#### 20.5 **Mopani District Municipality**

Balance unspent at beginning of year	20 746	103 895.0
Current year receipts	( 20 746)	-
Conditions met – transferred to	( 0)	( 83 149)
	<b>(0)</b>	<b>20 746</b>

The grant was meant to conduct data cleansing for all Maruleng farms and for the finalisation of the Willows

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

### Chief Financial Officer

Annual remuneration	458 640	-
Acting allowance	-	108 692
Performance and other bonuses		
	61 208	-
Travel and other allowances	1 338	-
Contributions to UIF, medical and pension funds	-	-
	<b>521 187</b>	<b>108 692</b>

The position of the Chief financial was vacant from 1st March 2014 and the interviews were conducted.

### Director: Technical Services

Annual remuneration	593 192	556 414
Performance and other bonuses	-	-
Travel and other allowances	129 611	129 000
Contributions to UIF, medical and pension funds	208 653	193 274
	<b>931 456</b>	<b>878 688</b>

### Director: Community Services

Annual remuneration	506 945	208 172
Performance and other bonuses	47 292	-
Travel and other allowances	267 611	133 500
Contributions to UIF, medical and pension funds	106 194	79 792
	<b>928 043</b>	<b>421 463</b>

The position of CFO was filled with effect from 01 October 2014.

The HR Manager served as Acting Corporate Services Director for a broken period of four months, namely June 2014 and September - November 2014.

### Director: Corporate Services

Annual remuneration	141 948	212 223
Acting Allowance	67 238	-
Performance and other bonuses	-	-
Travel and other allowances	53 006	281 355
Contributions to UIF, medical and pension funds	20 097	65 290
	<b>282 290</b>	<b>558 867</b>

### Director: Spatial Development and Planning

Annual remuneration	480 084	200 957
Acting Allowance	-	26 712
Performance and other bonuses	36 748	-
Travel other allowances	309 611	154 500
Contributions to UIF, medical and pension funds	136 377	66 858
	<b>962 820</b>	<b>449 027</b>

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

### 22 REMUNERATION OF COUNCILLORS

Mayor	736 834	677 941
Speaker	519 460	560 840
Executive Committee members	1 233 781	1 458 841
Councillors part time	4 811 000	4 437 731
Councillors full time	504 111	529 238

<b>7 805 186</b>	<b>7 664 592</b>
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Councillors are classified above based on the respective positions as at 30 June 2015 or the last day of service, The Mayor, Speaker and three councillors are full time. Each is provided with an office and secretarial support at the cost of Council.

The Mayor has use of a Council owned vehicle for official duties. The Mayor also has use of a Council owned house to entertain official guests.

### 23 AMORTISATION EXPENSE

Property, plant and equipment	28 948 565	24 717 442
Intangible assets	94 083	11 741
	<b>29 042 647</b>	<b>24 729 183</b>

### 24 FINANCE COST

Finance leases	86 022	86 022
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### 25 GENERAL EXPENSES

Included in general expenses is the following:-

Advertising	245 372	202 108
Audit fees	2 152 956	1 490 923
Bank charges	183 496	162 172
Computer expenses	38 411	-
Electricity	1 756 179	1 242 235
Free basic electricity	563 531	812 848
Fuel	1 376 477	1 205 987
Functions and events	2 197 567	948 284
Subsistence, travel & Accomodation	5 463 326	858 731
Strategic planning	429 339	199 275
Refreshment	151 972	196 576
Internal Audit	30 834	431 712
EPWP	1 666 246	1 359 170
Compensation Commissioners	886 415	310 431
Bursary Fund	129 438	92 219
Insurance	368 050	147 332
Environmental rehabilitation	-	1 506 923
Legal expenses	1 235 993	270 881
Membership fees	500 695	450 000
Printing and stationery	546 277	325 670
Professional fees	4 090 154	2 074 944
Stores and material	580 825	292 414
Telephone & cellphone costs	748 908	647 894
Training	931 929	447 108
Ward committees	238 624	1 657 118
Other	548 436	4 307 685

<b>27 061 450</b>	<b>21 621 736</b>
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### 26 CONTRACTED SERVICES

Refuse removal service costs	2 548 292	2 041 471
Security costs	4 271 032	3 572 394

<b>6 819 324</b>	<b>5 613 865</b>
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# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

### 27 GAIN/(LOSS) ON DISPOSAL OF ASSETS

Property, plant and equipment	( 308 043)	11 032 973
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### 28 CORRECTION OF PRIOR YEAR ERRORS

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June 2015.  
Details of the appropriations are as follows:

#### Statement of financial financial Position

##### Property, plant and equipment Decrease in carrying value of PPE

	2015	2014
Disposal of PPE		(3 704 062)
Decrease in depreciation 2013		(6 128)
Increase in investment property		425 088
Disposal of library books 2014		109 911
Increase in heritage assets		216 000
Decrease in cost of investment property		3 590

##### Current assets

##### Decrease in current assets

Increase in inventories		147 150
Recognition of debtors for fines		18 903
Increase in bad debt provision		295 502
Decrease trade debtors		(56 027)
Decrease in sundry debtors		(59 385)
		(51 843)

##### Current liabilities

Decrease in accruals		(1 531 088)
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##### Increase in accumulated surplus

Correction of 2013 depr		1 948 731
Correction of cost 2013		(6 128)
Correction of cost amount of investment prop		109 911
Correction of depr		425 088
Machine Overpayment		(59 385)
reversal of accruals		(51 843)
		1 531 088

#### Statement of financial financial Performance

##### Increase in net surplus

Surplus on valuation of heritage assets		4 251 396
Accrual of income from fines		216 000
Bad debt provision for income from fines		295 502
Loss on disposal of PPE		56 027
Inventory write off		3 702 770
		(18 903)

### 29 CASH GENERATED FROM/(UTILISED IN) OPERATIONS

Surplus for the year	33 983 583	13 489 071
Adjustment for:-		
Depreciation and amortisation	29 042 648	24 729 183
Debt impairment	8 033 580	-
Loss on assets disposal	308 043	11 035 271
Interest received	(2 882 082)	(1 816 214)
Finance costs	8 187	86 022
Contributions to provisions	854 041	(846 505)
Unspent conditional grants movement		
Fair value adjustment on investment property	(503 636)	-
Other non-cash item	-	-
<b>Operating surplus before working capital changes:</b>	<b>68 844 364</b>	<b>46 676 828</b>
Decrease in inventories	17 795	26 399
(Increase) decrease in trade receivables	(10 533 446)	418 786
(Increase) in Other Receivables	(3 271 385)	(4 215 878)
(Increase) in VAT Receivables	(4 857 014)	(1 379 417)
Decrease in Unspent grants	(4 191 359)	5 485 356
Increase/(decrease) in trade payables and other payables	5 611 789	(2 078 750)
<b>Cash generated by operations</b>	<b>51 620 743</b>	<b>44 933 323</b>

# MARULENG MUNICIPALITY

## Annual Financial Statements for the year ended 30 June 2015

### 30 ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003

<b>30.1 Contribution to SALGA</b>		
Council membership fees payable	500 695	400 050
Amount paid current year	( 500 695)	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>400 050</b>
<b>30.2 Audit Fees</b>		
Current year audit fee	2 152 956	1 858 363
Amount paid current year	(2 152 956)	(1 858 363)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>30.3 VAT</b>		
VAT is payable on the cash basis. VAT input receivables and VAT output receivable are shown in note 6. All VAT returns but one have been submitted by the due date throughout the year.		
<b>30.4 PAYE &amp; UIF</b>		
Current payroll deductions	4 753 031	4 365 389
Amount paid current year	(4 753 031)	(4 365 389)
<b>Balance unpaid</b>	<b>-</b>	<b>-</b>
<b>30.5 Pension and Medical Aid Deductions</b>		
Current payroll deductions	5 582 817	7 830 845
Amount paid current year	(5 582 817)	(7 830 845)
<b>Balance unpaid</b>	<b>-</b>	<b>-</b>
<b>31 COUNCILLOR'S ARREAR CONSUMER ACCOUNTS</b>		
Councillors do not have municipal accounts with the municipality.		
<b>32 COMMITMENTS</b>		
Commitments in respect of capital and current expenditure		
- approved and contracted for		
Current	12 294 391	18 848 134
Capital	79 632 384	12 868 893
	<b>91 926 775</b>	<b>31 717 027</b>
The expenditure will be financed from:		
- Government Grants	79 703 126	10 385 627
- Internal sources	12 223 648	21 331 400
	<b>91 926 775</b>	<b>31 717 027</b>
<b>33 Operating leases</b>		
<b>Operating leases- lessor</b>		
<b>Minimum lease payments due</b>		
within one year	184 239	263 773
in the second to fifth year	913 700	832 323
After five years	-	-
<b>Total</b>	<b>1 097 939</b>	<b>1 096 096</b>
Some of the municipality's buildings are held as investment property to generate income.		
<b>34 CONTINGENT LIABILITIES</b>		
<b>34.1 Liz De Beer</b>	170 016	170 016
Unpaid performance bonus claim from previous municipal manager		
<b>34.3 BMK Electronics</b>	102 175	102 175
claim on sewer pump		
<b>34.4 Jacu Craucamp</b>	109 075	109 075
Dispute on subcontracting		
<b>34.5 Mthenjakave Security Service</b>	100 000	100 000
Dispute on awarding of tender (Matter resolved in the current financial year)		

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## Annual Financial Statements for the year ended 30 June 2015

<b>34.6</b> Maatjie Plant Hire & Construction CC Dispute on subcontracting	213 349	213 349
<b>34.7</b> Wilkes & Others Claims on the house gutted by fire	3 055 702	3 055 702
<b>34.8</b> Rockland Resources Dispute on awarding of tender	1 200 000	
<b>TOTAL</b>	<b>4 950 317</b>	<b>3 750 318</b>

### 35. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

#### 35.1 Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	17 587 343	34 900 908
Irregular expenditure current year	<b>154 431</b>	<b>7 710 518</b>
Contract ended during the year not extended	154 431	-
Deviation report for 2013/14		398 514
suppliers in the service of the state		1 436 504
Award to prohibited supplier		3 400
Preference points awarded for price incorrectly calculated		5 738 483
Non submission of declaration of interests		53 617
Non compliance with formal written quotations		80 000
Condoned or written off by Council		(25 024 083)
Irregular expenditure awaiting condonement by National Treasury	<b>17 741 774</b>	<b>17 587 343</b>

#### 35.2 Fruitless and wasteful expenditure

Opening balance	1 827 890	-
Fruitless and wasteful expenditure current year	111 207	1 827 890
Condoned or written off by Council	-	-
Reversal of expenditure condoned by council	-	-
Fruitless and wasteful expenditure awaiting condonement by National Treasury	<b>1 939 098</b>	<b>1 827 890</b>

Interest incurred on amount not paid to contractor

### 36. RELATED PARTY DISCLOSURES

- 36.1** During the year, in the ordinary course of business, transactions between the Municipality and the under-mentioned parties have occurred under terms and condition no more favourable than those entered into with third parties in an arm's length transaction.

#### Management Team

No business transactions took place between Maruleng Municipality and key Management personnel (Municipal Manager and Directors) and their close family members during the year under review. Details relating to their remuneration is disclosed in note 23.

#### Councillors

For details relating to remunerations for councillors, refer to Note 24.

#### Details of loans and advances

The MFMA prohibits the granting of loans and advances to officials.

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### 37 CHANGE IN ACCOUNTING POLICY

The municipality changed its accounting policy during the year in respect of the valuation of inventory from the first-in-first-out method to the weighted average method. This change was effected as it will result in a more relevant and reliable presentation of the value of inventory. The policy has been applied retrospectively from the start of 2014 because it was not practicable to determine the effects of applying the policy retrospectively from any earlier date. The effect of the change in accounting policy on the results for 2014 and 2015 is as follows:

	2015	2014
Increase/(decrease) in surplus due to (increase)/decrease in gen	-21 313.40	18 902.00
Increase/(decrease) in inventory	-2 411.40	18 902.00

### 38 RISK MANAGEMENT

#### Liquidity risk

38.1

The municipality's risk to liquidity is a result of the fund available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### 38.2 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rate.

#### 38.3 Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The

Financial assets exposed to credit risk at year end were as follows

38.4	Financial instrument	2015	2014
	Receivables from non exchange transactions	1 455 128.40	429 576.84
	Receivables from exchange transactions	3 106 453.50	1 632 138.41
	Cash and cash equivalents	57 272 913.93	43 104 959.41
	Other receivable	21 795 856.94	18 524 471.85
	Maximum credit risk exposure	83 630 352.77	63 691 146.51

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### 39 DEVIATIONS IN TERMS OF SUPPLY CHAIN MANAGEMENT

The municipality made the following deviations from normal supply management processes in accordance with supply chain management regulations

DATE	SERVICE	SUPPLIER	Form of Deviation	AMOUNT
20/08/2014	Hoedspruit sewerage pump station	PGN Civils(Pty)Ltd	Emergency procurement in accordance regulation 36(1)(i) of Supply Chain Management Regulations and section27 of our Supply Chain Management Policy	<b>370 000</b>
15/09/2014	Sewerage repair in municipal main office buildings	Shatlou Trading Pty(Ltd)	Emergency procurement in accordance regulation 36(1)(i) of Supply Chain Management Regulations and section27 of our Supply Chain Management Policy	<b>182 148</b>
05/01/2015	Repair and installation of sewerage pump station	Shatlou Trading Pty(Ltd)	Emergency procurement in accordance regulation 36(1)(i) of Supply Chain Management Regulations and section27 of our Supply Chain Management Policy	<b>386 132</b>
29/01/2015	Repair of boreholes	Oltin Trading and Projects	Emergency procurement in accordance regulation 36(1)(i) of Supply Chain Management Regulations and section27 of our Supply Chain Management Policy	<b>275 558</b>
02/04/2015	Extension of reticulation and refurbishment of reservoir	Oltin Trading and Projects	Emergency procurement in accordance regulation 36(1)(i) of Supply Chain Management Regulations and section27 of our Supply Chain Management Policy	<b>229 963</b>
20/08/2014	Catering services	Motsebetsi Trading	Only service provider who responded to the request for quotations.	<b>2 600</b>
28/08/2014	Catering services	Carbolin Trading	Only two service providers responded and Carbolin Trading was the lowest.	<b>3 150</b>
20/09/2014	Procurement of sashes	Ickinger Jewellers	Only company that is registered on our suppliers database that sells sashes	<b>2 592</b>
26/09/2014	Servicing of water tanker: BVP 257 L	BB Motors	Service is done at BB Motors	<b>46 639</b>
26/09/2014	Servicing of Mayor's car: CJB 176 I	Mercurius Tzaneen	Service is done at Mercurius	<b>15 161</b>
25/09/2014	Catering services	Motsebetsi Trading	Only service provider who responded to the request for quotations.	<b>3 500</b>
27/10/2014	Transport	Lesenyamphago	NO RESPONSE FROM SERVICE PROVIDERS	<b>2 500</b>
04/11/2014	Mag Rims For Cjb 176I	H J Mags	Urgent procurement	<b>2 400</b>
2007-11-14	Tyres for CJB 176L	Supa Quick Nelspruit	Available at Supa Quick	<b>6 700</b>
26/11/2014	Pro-lazer3 batteries	Truvelo Manufacturers(Pty)Ltd	Limited bidding – sole provider	<b>5 810</b>
2003-12-14	Advertising	Government Printing Works	Limited bidding – sole provider	<b>9 802</b>

